

U.S. Department of the Interior

Bureau of Land Management

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DATE: November, 2013

An Environmental Assessment of True Oil LLC's Application for a Permit to Drill the DY Fed 13-31 Oil Well

File Numbers: N-85957, N-87983

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1.0 INTRODUCTION

True Oil LLC (True Oil) has leased a parcel of Federal land for potential oil and gas development under the Mineral Leasing Act of 1920, as amended and supplemented, and Part 3100 of Title 43, Code of Federal Regulations (CFR). On January 28, 2013, the Bureau of Land Management (BLM), Tonopah Field Office (TFO) received from True Oil an Application for a Permit to Drill (APD) proposing to drill the DY Fed 13-31 well. A revised APD was received on July 29, 2013. The proposed well would be situated in Section 31, T. 7 N., R. 57 E., MDM, approximately 22 miles south-southeast of the town site of Currant in Railroad Valley, Nevada (Figures 1 and 2).

The approval of an APD is a federal action subject to analysis under the National Environmental Policy Act (NEPA) of 1969 (Public Law [PL] 1-91-190, as amended [42 United States Code (USC) 4321 *et seq.*]). The BLM TFO has determined that an environmental assessment (EA) is required prior to the potential approval of the DY Fed 13-31 APD. The EA will analyze the direct, indirect, and the cumulative impacts of the proposal to determine if significant impacts would occur that would require the development of an Environmental Impact Statement (EIS).

Purpose and Need for Action

The purpose of the action is to provide True Oil with authorized use of the public land managed by the BLM to drill the DY Fed 13-31 well and develop associated infrastructure in compliance with the Federal Land and Policy Management Act of 1976 (FLPMA) and other applicable federal and state laws. The need for the action is to respond to True Oil's APD to drill DY Fed 13-31 on Oil and Gas lease N-85957 on which they have valid existing lease rights.

Land Use Plan Conformance

The Proposed Action is in conformance with the Tonopah Resource Management Plan (RMP) and Record of Decision approved on October 2, 1997.

The Fluid Minerals Objective in the Tonopah RMP (page 22) is, "To provide opportunity for exploration and development of fluid minerals such as oil, gas, and geothermal resources, using appropriate stipulations to allow for the preservation and enhancement of fragile and unique resources."

The proposal is within an area that is designated as "open to fluid minerals leasing subject to standard lease terms and conditions" (Tonopah RMP, page 22).

Relationship to Statutes, Regulations, Policy, Plans or Other EAs

BLM Onshore Order #1 was established pursuant to the authority prescribed in 43 CFR 3160. It requires that approval of all proposed exploratory, development, and service wells, and all required approvals of subsequent well operations and other lease operations be

True Oil LLC DY Fed 13-31

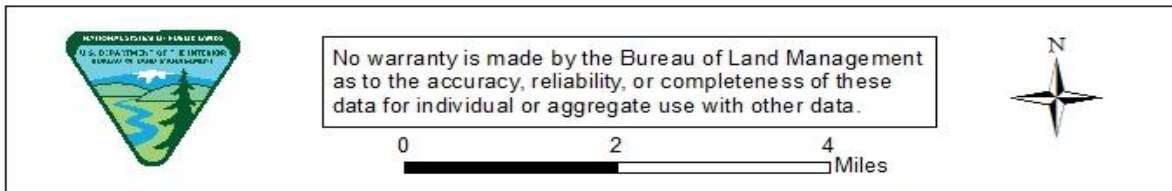
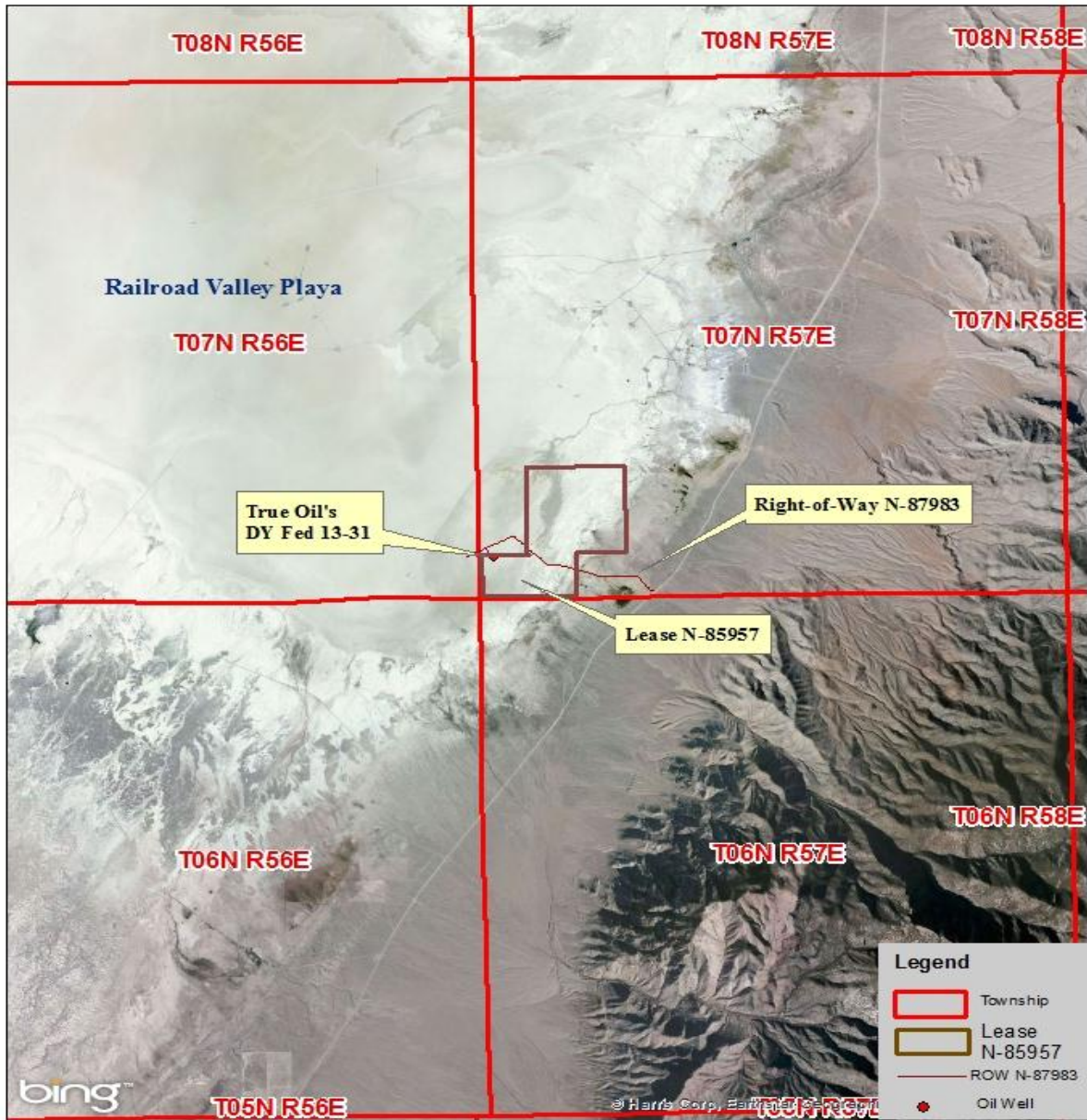


Figure 1. Location map of the proposed oil well (1:100,000).

True Oil LLC DY Fed 13-31

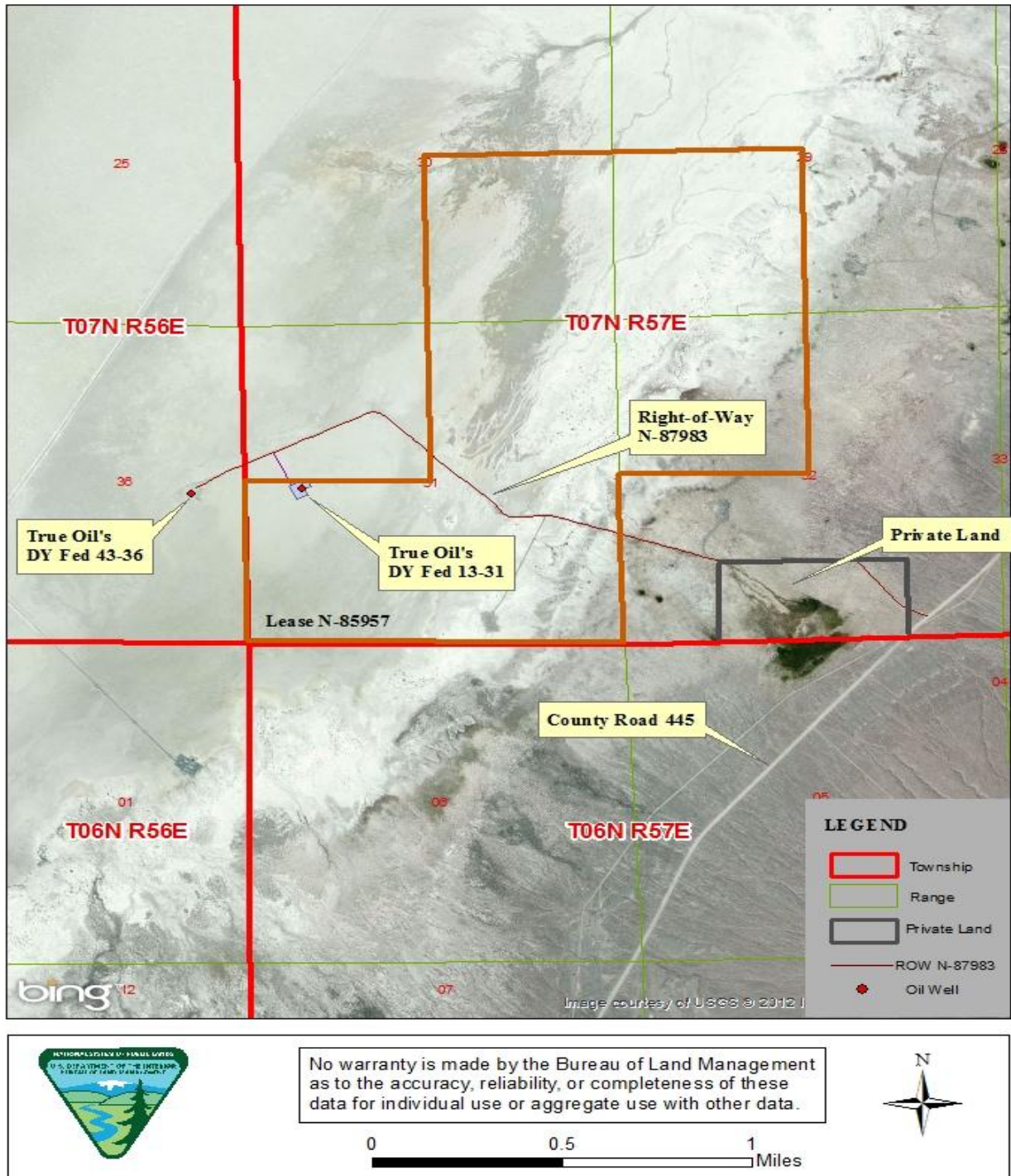


Figure 2. Location map of the proposed oil well (1:24,000).

obtained in accordance with 43 CFR 3162.3-1, 3162.3-2, 3162.3-3, 3162.3-4 and 3162.5-1. Pursuant to 43 CFR 3101.1-2, a lessee shall have the right to use so much of the leased lands as is necessary to explore for, drill for, mine, extract, remove and dispose of all the leased resource in a leasehold subject to: stipulations attached to the lease; restrictions deriving from specific, nondiscretionary statutes; and such reasonable measures as may be required by the authorized officer to minimize adverse impacts to other resource values, land uses or users not addressed in the lease stipulations at the time operations are proposed.

The exploration must be in conformance with all Nevada State and Federal requirements including, but not limited to, those of the BLM, State of Nevada Division of Minerals, State of Nevada Division of Environmental Protection, Nevada State Engineer, and the Federal Environmental Protection Agency.

Conformance with the Nye County Plan

The Proposed Action is in conformance with Nye County Policy Plan for Public Lands (2011, page 38) which states, “Oil and gas resources should be inventoried and development encouraged. Public lands with a high potential for oil or gas resources should not be withdrawn from exploration”.

Scoping and Public Involvement

True Oil’s APD was made available for public review and comment in the public room of the Tonopah Field Office from July 30, 2013 to August 30, 2013.

Letters were sent to the Duckwater and Yomba Shoshone Tribes informing them of the Proposed Action on August 10, 2012. On October 4, 2012, a BLM resource specialist and the Native American coordinator met with a representative of the Duckwater Shoshone Tribe at the proposed project area. No resource concerns were expressed as a result of the field tour. No comments were received from Yomba Shoshone Tribe.

The Nevada Department of Wildlife (NDOW) was informed of the Proposed Action on February 7, 2013, prior to the July 29, 2013 revision. Coordination with the NDOW resulted in the incorporation of mitigation measures and certain Standard Operating Procedures (SOPs) as presented in Appendices A and B. The revision of the APD had no bearing on their comments or recommendations.

2.0 THE PROPOSED ACTION AND ALTERNATIVES

The Proposed Action

True Oil has leased a parcel of Federal land for potential oil and gas development under the Mineral Leasing Act of 1920, as amended and supplemented, and Part 3100 of Title 43, Code of Federal Regulations (CFR). On July 29, 2013, the BLM received a revised APD from True Oil to drill the DY Fed 13-31 in Railroad Valley, Nevada. The proposed well location would be situated in Section 31, T. 7 N., R. 57 E., MDM, approximately 22 miles south-southwest of town site of Currant in Railroad Valley, Nevada.

The proposed wellhead would be located on a 1-acre gravel pad (250 x 175 ft.). The drilling mud would be contained in a reserve pit located outside of the well pad which would cover approximately 0.23 acres (100 x 100 ft.). The proposed depth of the reserve pit would be 8 feet. The depth to the water table is shallow in this area (approximately 10 feet), therefore, the reserve pit would be lined with bentonite to prevent potential contamination of the aquifer. The reserve pit would also be fenced and netted to prevent access by wildlife, livestock, avian species and humans. Escape ramps, ladders or other methods of escape would be incorporated into the design. The proposed well would be drilled to an approximate depth of 6,200 feet.

Water for the drilling of the proposed oil well would be obtained from a well located in section 32, T. 7 N., R. 57 E., MDM. True Oil has established an agreement with Cross Ranch, who controls the well, to obtain the water. A waiver for the temporary use of the ground water must be obtained from the Nevada Division of Water Resources prior to use. Approximately 572,000 gallons of water would be used during drilling operations.

Access to the project area would be via existing and newly constructed roads. True Oil holds a right-of way (ROW) grant (N-87983) which extends from County Road 445 to private lands (issued in January 2010). From private lands, the ROW extends another 1.5 miles to the plugged and abandoned DY Fed 43-36 well (see Figure 1). In order to gain legal access to the proposed well location, True Oil has applied for an amendment to ROW N-87983 that would allow the construction of 540 feet of new access road to the N-85957 lease boundary.

The newly proposed road would be bladed to accommodate an 18-foot graveled running surface. Because the road would be located on a playa surface, the road would be constructed 6-12 inches above grade. No turnouts would be constructed on the new access road. The total surface disturbance associated with the construction of the well pad, the reserve pit, and the construction of the new access road would be approximately 1.6 acres.

True Oil would use a community gravel pit for the extraction of approximately 5,140 cubic yards of gravel needed for the construction of the well pad and the surfacing of the proposed and existing roads (the extraction of this amount of gravel is within the disturbance limits for this pit as analyzed in Environmental Assessment NV65-EA95-88). The pit is located in section 9, T. 7 N., 57 E. Mount Diablo Meridian (MDM). Additional gravel would also be extracted as a part of the reclamation of True Oil's abandoned DY Fed 43-36 well pad.

All authorized construction and reclamation would be consistent with the Gold Book (2007 ed.) and BLM Manual 9113 (Engineering Road Standards). Standard Operating Procedures (SOPs) and Conditions of Approval are presented in Appendix B. Lease-specific stipulations associated with Oil and Gas lease N-85957 are presented in Appendix C.

No Action Alternative

Under the No Action alternative, the BLM would not approve the APD or ROW amendment and True Oil would not have access to or an authorization to drill the proposed oil well. BLM's authority to implement the No Action alternative is limited because oil and gas leases holders possess valid existing rights to explore and potentially develop their lease subject to the stipulations of the specific lease agreement. However, BLM can deny the APD if the proposal would violate lease stipulations, applicable laws and regulations or result in undue or unnecessary environmental degradation.

3.0 AFFECTED ENVIRONMENT AND ENVIRONMENTAL CONSEQUENCES

The purpose of this section of the EA is to describe the existing environment of the proposed project area. Supplemental Authorities that are subject to requirements specified by statute or Executive Order (EO) must be considered in all BLM environmental documents. The elements associated with the supplemental authorities listed in Appendix 1 of the NEPA Handbook (BLM 2008) and in the Nevada Instruction Memorandum (IM) 2009030, Change 1, are listed in Table 1. The table lists the elements and provides a determination of whether the element is present in the project area and if it would be affected by the Proposed Action.

3.1 Supplemental Authorities

Supplemental Authorities that may be affected by the Proposed Action are analyzed below. Those elements listed under the supplemental authorities that do not occur in the Project Area and would not be affected are not discussed further in this EA based on the rationale provided in the following table. The elimination of non-relevant issues follows the Council on Environmental Quality (CEQ) policy, as stated in 40 CFR 1500.4. The potential effects of the Proposed Action and No Action Alternative are discussed under Section 3.3.

| Table 1. Supplemental Authorities Considered in the Analysis. | | | | |
|---|--------------------------|----------------------|--------------------------------------|--|
| Supplemental Authority ¹ | Not Present ² | Present/Not Affected | Present/May be Affected ³ | Rationale |
| Air Quality | | • | | There would not be any potentially significant effects to the air quality associated with the implementation of the Proposed Action because the Standard Operating Procedures (SOPs) presented in Appendix B require dust abatement. |
| Area of Critical Environmental Concern (ACEC) | • | | | There are no ACECs within or near the area of the Proposed Action. |
| Cultural Resources | • | | | No cultural resources were identified during a Class III cultural survey of the proposed well pad, reserve pit and access road. |
| Environmental Justice | • | | | No minority or low-income populations would be disproportionately affected by the Proposed Action. |
| Farmlands Prime or Unique | • | | | No prime or unique farmlands are located within the area of the Proposed |

¹ See H-1790-1 (January 2008) Appendix 1 Supplemental Authorities to be Considered.

² Supplemental Authorities determined to be Not Present or Present/Not Affected need not be carried forward for analysis or discussed further in the document.

³ Supplemental Authorities determined to be present/May be Affected must be carried forward for analysis in the document.

| Table 1. Supplemental Authorities Considered in the Analysis. | | | | |
|---|--------------------------|----------------------|--------------------------------------|---|
| Supplemental Authority ¹ | Not Present ² | Present/Not Affected | Present/May be Affected ³ | Rationale |
| | | | | Action. |
| Noxious Weeds/ Invasive Non-native Species | • | | | The Proposed Action would have little effect on noxious weed species because there are no weeds in the project area currently. In addition, the Proposed Action incorporates SOPs which commits True Oil to prevent the establishment of weeds and eradicate them where they occur (Appendix B). |
| Native American Religious Concerns | • | | | The Proposed Action would not compromise the integrity of any known traditional, spiritual, cultural or ceremonial use area, nor would it limit or prevent access to any traditional or ceremonial sites that may currently be in use. |
| Floodplains | | | • | See the discussion under the section titled, <i>Floodplains</i> |
| Riparian/Wetlands | | • | | The nearest wetland is associated with Thorn and Willow Springs which are 2 and 1.5 miles to the northeast and southeast of the proposed oil well, respectively. The water for drilling purposes would be pumped from a well southeast of the oil well close to Willow Springs. The 572,000 gallons proposed for use in the proposed drilling operations is a negligible amount of water at the aquifer scale and no effects are anticipated to either the Thorn or Willow Springs. |
| Threatened and Endangered Species | • | | | The proposed well site is 12 miles southeast of North and Reynolds springs which contain populations of the Railroad Valley springfish, a threatened species. Additionally, an introduced population of springfish has been documented in Warm Spring in the Chimney Wildlife management Area (WMA), 9 miles to the west-northwest. However, there is no expectation that the waters in the springs would be affected by drilling of the proposed well since the water bearing zones in the oil well would be cemented and cased. The pumping of 572,000 gallons of water is not likely to have an effect either since this is a negligible amount of water at the aquifer scale. |

| Table 1. Supplemental Authorities Considered in the Analysis. | | | | |
|---|--------------------------|----------------------|--------------------------------------|--|
| Supplemental Authority ¹ | Not Present ² | Present/Not Affected | Present/May be Affected ³ | Rationale |
| Migratory Birds | | • | | The Proposed Action would not affect migratory birds because the well and the access road are located on the playa surface which is devoid of vegetation. However, if activity is ongoing during migrations, snowy plover and other wading/shore birds may encounter temporary disturbance or avoidance. |
| Waste – Hazardous/Solid | | • | | The operator or any contractor company working for the operator would have Material Safety Data Sheets (MSDS) available for all chemicals, compounds, or substances that are used during the course of drilling, completion, and production operations. Additionally, all chemicals would be handled in an appropriate manner to prevent leaks or spills to the environment. Because the project operations would comply with all applicable federal and state laws concerning hazardous materials and the operator's Spill Prevention, Control, and Countermeasure Plan, and NTL-3A Reporting of Undesirable Events, there would be no impacts from hazardous or solid waste. |
| Water Quality | | • | | The Proposed Action would have little potential for affecting water quality of either surface or ground waters in the project area because the proposed oil well would be cased and cemented from the surface to near the bottom of the hole. After testing, the well would either be set up for production or the well would be shut in or plugged in accordance with BLM regulations and Nevada State laws. The State laws also require capping and containing artesian flow. The recirculated drilling fluids contained in the reserve pit would be handled according to State regulations and the reserve pit would be lined with bentonite which would act as a liner. |
| Wild & Scenic Rivers | • | | | No wild and scenic rivers are located within the area of the Proposed Action. |
| Wilderness/Wilderness Study Areas/Lands with wilderness characteristics | • | | | The proposed project is located approximately 4.5 miles west of the Grant Range Wilderness, and 14 miles east-northeast of the Wall Wilderness Study Area (WSA). The project area |

| Table 1. Supplemental Authorities Considered in the Analysis. | | | | |
|--|--------------------------------|-----------------------------|--|--|
| Supplemental Authority¹ | Not Present² | Present/Not Affected | Present/May be Affected³ | Rationale |
| | | | | was found to not possess wilderness characteristics based on a LWC inventory conducted in 2013. |
| Forests and Rangelands (HFRA only) | • | | | This project does meet the requirements to qualify as a HFRA project. |
| Human Health and Safety | | • | | Human health and safety would not be affected by the proposal because True Oil is committed to the implementation of SOPs and Condition of Approval (Appendix B) which are designed, in part, to ensure human health and safety. |

3.2 Other Resources Considered in the Analysis

Other resources of the human environment that have been considered in this environmental assessment (EA) are listed in the table below. Elements that may be affected are further described in the EA. Rationale for those elements that would not be affected by the Proposed Action and alternative is listed in the table below.

| Table 2: Other Resources Considered in the Analysis. | | | | |
|---|--------------------------------|-----------------------------|--------------------------------|--|
| Other Resources | Not Present⁴ | Present/Not Affected | Present/May be Affected | Rationale |
| Grazing Management | | • | | The Proposed Action would not result in a reduction in AUMs or any other effects to grazing management. |
| Land Use Authorizations | | | • | Access to the lease boundary would be by a pre-existing, two-track road. A ROW application was filed by True Oil (N-87983) on October 10, 2009 and the grant issued on January 25, 2010. The ROW is 30-feet wide and 1.55 miles long and is accessed from Nye County Road 445 and terminates at the eastern boundary of True Oil's lease N-82945 where True Oil drilled DY Fed 43-36 oil well in 2009. True Oil has filed for an amendment to the ROW N-87983 for 540 feet of access road in order to access the N-85957 lease boundary. |
| Minerals | • | | | There are no active, pending, or expired mining Plans of Operation or Notices, or active or pending sodium or potassium prospecting permits located within 4- |

⁴ Other Resources determined to be Not Present or Present/Not Affected need not be carried forward for analysis or discussed further in the document based on the rationale provided.

| Table 2: Other Resources Considered in the Analysis. | | | | |
|--|--------------------------|----------------------|-------------------------|---|
| Other Resources | Not Present ⁴ | Present/Not Affected | Present/May be Affected | Rationale |
| | | | | mile radius of the proposed project. |
| Paleontological Resources | • | | | There are no fossil-bearing formations outcropping in the area of the Proposed Action. |
| Recreation | | • | | There are only dispersed recreational resources in the project area. Impacts to dispersed recreational opportunities (hiking, horseback riding, bird watching, and hunting) would be very slight and temporary. |
| Socio-Economic Values | • | | | The Proposed Action would take place over the course of 3-4 weeks and would not be expected to create new jobs or significant revenues for local communities. |
| Soils | | | • | See the discussion under the section titled, <i>Soils</i> |
| Special Status Species | | | • | See the discussion under the section titled, <i>Special Status Species (Wildlife)</i> . There are no special status plant species within or near the Project Area. |
| Vegetation | • | | | There is no vegetative cover on the surface of the playa where the access road, well pad, and reserve pit would be located. |
| Visual Resources | | | • | See the discussion under the section titled, <i>Visual Resources</i> . |
| Wild Horses and Burros | • | | | No wild horse or burros are known to inhabit the project area. |
| Wildlife | | | • | See the discussion under the section, titled, <i>Wildlife</i> . |

3.3 Effects Analysis

Floodplains

Affected Environment

The proposed DY Fed 13-31 is located in the southeast corner of the Railroad Valley playa within a Federal Emergency Management Agency (FEMA) designated 100-year flood zone. During the summer months, thunderstorms develop over the Grant and Quinn Ranges to the east, which can result in minor ponding in the area of the Proposed Action. During the winter months, the depth of the water table becomes very shallow which can cause ponding of water on the playa surface.

Environmental Consequences of the Proposed Action on Floodplains

Potential impacts of construction of the access road and the well pad would include alteration of the natural floodplain by the construction. The access road would be raised approximately 6-12 inches above the playa surface and could potentially cause damming of water. The pad and pit areas would be designed to protect at the 100-year flood level. However, the short duration of the drilling and the subsequent reclamation of the access road and the well pad would restore the floodplain to its natural state.

Environmental Consequences of the No Action Alternative on Floodplains

Under the No Action alternative, True Oil's oil well would not be drilled on the playa and the proposed well pad and the new access road would not be constructed. Therefore, this alternative would have no effect on the floodplain.

Soils

Affected Environment

The project area lies within the Playa soil complex. The playa covers approximately 39,983 acres surrounding the area of the Proposed Action. The soils representative of this complex are poorly drained. The surface texture is silty clay. Runoff is typically very high, water erodibility is slight and wind erodibility is slight to moderate.

Environmental Consequences of the Proposed Action on Soils

The construction of 540 feet of proposed road, one well pad and a reserve pit would disturb 1.6 acres of the Playa soil complex. These actions could result in an increase in wind and water erosion potential due to the disturbance of surface soils, although these soils are not particularly susceptible to erosion given their surface texture and, therefore, the effect is likely to be minor.

Other factors that would limit erosion potential is the general flat topography, the fact that gravel would be used to construct the road and well pad, and water would be used to abate dust. Use of the proposed road and the construction of the well pad would, however, result in soil compaction which would be alleviated during reclamation.

Environmental Consequences of the No Action Alternative on Soils

Under the No Action alternative, there would be no affects to soil.

Special Status Species (Wildlife)

Affected Environment

Sensitive Species

Nevada BLM Sensitive Species that are known to occur in the Railroad Valley area include the Western snowy plover, burrowing owl, pale kangaroo mouse, and Railroad Valley tui chub. Many of the shorebirds, wading birds, and waterfowl species would only be present when adequate water for foraging and loafing were present near the project area (normally winter into early spring). For a complete list of potential sensitive species refer to the list in Appendix D.

Eagles

Although Bald and Golden eagles have not been documented within the Project Area, they have been observed in other portions of Railroad Valley. The Project Area and the immediately adjacent landscape does not contain any known Bald or Golden eagle nests, however, these may provide marginal foraging habitat for eagles.

Environmental Consequences of the Proposed Action on Special Status Species

Increased vehicle traffic on roads could cause some wildlife mortalities, particularly sensitive species of small mammals that may reside in or around the project area. Some species such as snowy plovers or other migratory birds may be temporarily displaced from or avoid the immediate project area. However, effects would be short-lived and insignificant.

The area provides only marginal foraging habitat for eagles and raptors and there is a sufficient amount of foraging habitat in Railroad Valley surrounding the project area to support these species. Therefore, it is anticipated that no direct effects related to foraging would occur. Other effects could include temporary displacement from or avoidance of the project area due to increased noise and traffic.

Due to the distance from the project area and the limited amount of water proposed for use during drilling operations, the pond or marsh habitats critical to sensitive fish species on both private property and the Railroad Valley Wilderness Management Area (WMA) would not be affected.

Environmental Consequences of the No Action Alternative on Special Status Species

Under the No Action alternative, there would be no effects to Special Status Species.

Visual Resources

Affected Environment

The project area is located in a Class IV Visual Resource Management (VRM) area. The Class IV objective allows for contrasts that may attract attention and be a dominant feature of

the landscape, however, the change should repeat the basic elements inherent in the characteristic landscape. The level of change to the characteristic landscape can be high.

Environmental Consequences of the Proposed Action on Visual Resources

The drill rig would be visible and the operation likely noticeable in the foreground-middleground zone of three to five miles during drilling operations which would be short-term. At greater distances, the drill rig would fall into the background zone and be less discernible due both to distance and the varying patterns of the mountainous background.

These activities are within the allowable limits of Class IV Visual Resource Management areas identified in the Tonopah RMP and Record of Decision, dated October 1997.

Environmental Consequences of the No Action Alternative on Visual Resources

Under the No Action alternative, there would be no change to the existing visual environment.

Wildlife

Affected Environment

Based on the Tonopah RMP and a query of the Nevada Natural Heritage Program (NNHP) and Nevada Department of Wildlife (NDOW) databases, the project area and immediate vicinity does not contain any designated critical habitat or key range for any species of wildlife. However, the area may provide occasional incidental range for wildlife species that occupy the surrounding area. There is also a basic component of small mammals, reptiles, and predators.

The project area and adjacent areas may provide foraging habitat for a number of raptors including Cooper's hawk, Northern harriers, and Northern goshawks.

Environmental Consequences of the Proposed Action on Wildlife

The disturbance of 1.6 acres of marginal habitat would result in a minimal impact to local wildlife populations. Vast amounts of similar or more productive habitat are located adjacent to the proposed project area which would provide sufficient forage and escape cover. No elements of the proposed project would affect the pond or marsh habitats on either private property or the Railroad Valley WMA.

Increased vehicle traffic on roads could cause some wildlife mortalities, temporary displacement or avoidance. However, impacts to wildlife from vehicle traffic and increased noise would be short-term due to the temporary nature of the project and reduced speeds of travel during project activities.

Fluids produced during drilling would be directed to a fenced and netted reserve pit. The proposed well would include blow-out preventers that are designed to prevent the release of hydrocarbon-contaminated fluids to the environment. Therefore, there would be minimal potential for wildlife to encounter any hazardous materials during drilling or operations.

Environmental Consequences of the No Action Alternative on Wildlife

Under the No Action alternative, there would be no effects to existing wildlife populations or their habitat.

4.0 CUMULATIVE EFFECTS

The Council on Environmental Quality (CEQ) regulations for implementing NEPA (40 CFR 1508.7) define cumulative impacts as:

“ . . . the impact on the environment which results from the incremental impact of the action when added to other past, present, or reasonably foreseeable future actions regardless of what agency (Federal or non-Federal) or person undertakes such actions. Cumulative impacts can result from individually minor but collectively significant actions taking place over a period of time.”

The following analysis identifies past, present, or reasonably foreseeable future actions which, together with the proposed project, may incrementally impact the environment. In order to provide structure to the analysis, a geographic scope and a timeframe were established. The geographic scope or the Cumulative Effects Study Area (CESA) is the distribution of the Playa soil complex. The CESA covers approximately 39,983 acres surrounding the Project Area. This CESA was selected because it represents the maximum spatial extent of the resources that would be impacted by the Proposed Action.

A 5-year timeframe, both in the past and into the future, was selected for the analysis. This timeframe for considering cumulative effects was selected because it represents the maximum amount of time that effects associated with the Proposed Action are likely to persist.

Past and Present Actions

Past and present actions that have occurred or are occurring in the CESA include dispersed cattle ranching and oil exploration. The CESA is located within the Nyala and Butterfield Allotments. The Nyala allotment is permitted for 1,347 head of cattle from March 1st to May 14th, 600 head of cattle from May 16th to June 1st and 1,347 head of cattle from August 1st to February 28th. Actual use is usually lower than the permitted numbers. The Butterfield allotment is permitted for 399 cattle from March 1st to November 30th and 396 cattle from December 1st to February 28th.

Oil exploration in the CESA in the last 5 years has been limited to the re-entering of an existing oil well (Makoil's Dry Lake 21-21R) to assess the hydrocarbon potential of deeper geologic horizons. The well was deemed dry and was plugged and abandoned.

Reasonable Foreseeable Future Actions (RFFA's)

Other than additional oil exploration and the continuation of highly dispersed cattle grazing, there are no reasonably foreseeable future actions anticipated in this area during the 5-year timeframe under consideration. At this time, there are no proposals for projects, pending decisions, nor allocated funding for land management actions in the CESA.

Cumulative impacts associated with past, present, and reasonably foreseeable future actions, including the Proposed Action

Cumulative Impacts to Floodplains

Past, present and reasonably foreseeable grazing activity has and will contribute little to cumulative impacts to the floodplain since there is no forage on the playa areas of the allotments to attract cattle. While the floodplain may be used as a water source during certain times of the year which may create minor disturbance to surface soils, these impacts would not be cumulative to impacts from past, present and reasonably foreseeable future actions, because the impacts would be seasonal and temporary.

Past and present oil exploration has resulted in 1.91 acres of disturbance to the Railroad Valley's FEMA designated 100-year flood zone. These disturbances were graveled as part of access road and well pad construction which has increased the potential for damming. The access road and well pad have not yet been, but soon will be, reclaimed.

The Proposed Action would result in 1.6 acres of disturbance associated with the proposed access road and well pad construction which would be cumulative to the 1.91 acres associated with past oil exploration. These areas would also be graveled which would increase the potential for damming in this area. The cumulative effect would be temporary, however, because both the well pads and access roads would be reclaimed.

Cumulative Impacts to Soils

Past, present and reasonably foreseeable grazing activity has resulted and will likely result in localized areas of soil disturbance and compaction when cattle congregate to drink. However, water within the CESA would be available only seasonally which would prevent the accumulation of impacts.

Past and present oil exploration activity has resulted in the disturbance to and compaction of 1.91 acres of soils associated with the construction of access road and well pad for Makoil's Dry Lake 21-21R exploratory well. Although the well has been plugged and abandoned, it has yet been reclaimed and, therefore, this disturbance would be cumulative to the 1.6 acres of disturbance associated with Proposed Action. Once reclamation is completed on these projects, the areas should return to a natural condition, which could take several years.

Cumulative Impacts to Special Status Species

Past, present, and reasonably foreseeable present grazing activity has and will contribute little to cumulative effects on special status animals because the CESA provides only marginal habitat for these species and little to no forage for cattle. While shorebirds, wading birds, and waterfowl species, may be disturbed by cattle attracted to standing water, the effect would be seasonal and short-term, not cumulative. The CESA provides only marginal foraging habitat for Bald and Golden Eagles and grazing activity is not likely to contribute to cumulative effects.

Past, present and reasonably foreseeable oil exploration activity has disturbed 1.91 acres of marginal special species habitat and the Proposed Action will contribute another 1.6 acres. Given the marginal nature of the habitat and the temporary nature of the disturbance, these activities have had and will contribute little to the cumulative effect to special status animal species including Bald and Golden Eagles.

Cumulative Impact to Visual Resources

Due to the lack of available forage and the sporadic, seasonal nature of water availability, past, present and reasonably foreseeable grazing activity has resulted in few impacts to visual resources because areas of intensive grazing activity rarely, if ever, occur on the CESA.

Past and present oil exploration created short-term effects since the drill rig associated with the drilling of Makoil's well would have been noticeable in the foreground-middle ground zone during drilling operations. The drill has been completed and so the impacts of Makoil's drilling program would not be cumulative to those similar impacts which would be associated the Proposed Action. Like the Makoil operation, once the drilling operation was completed, there would have been no further impacts to visual resources.

Cumulative Impacts to Wildlife

Since there is little to no forage and only occasional water available within the CESA, impacts associated with past, present and reasonably foreseeable grazing activity would be very minor because there would be little competition for forage and water.

Given its temporary and isolated nature, past present and reasonably foreseeable oil exploration activity has not and will not contribute in any substantial way to cumulative impacts to wildlife. Construction of access roads and drill pads and increased vehicular traffic in the vicinity of an active drilling operation could temporarily impede the passage of a variety of wildlife that may pass through the area and some mortality may occur. However, the short duration of these activities, both past and proposed, and subsequent reclamation of disturbed areas would eliminate any long-term impact to wildlife.

5.0 TRIBES, PERSONS, ORGANIZATION, or AGENCIES CONSULTED

Duckwater Shoshone Tribe
Yomba Shoshone Tribe
Brad Hardenbrook, Nevada Department of Wildlife

LIST OF PREPARERS

Nazila Hummer, Geologist, Tonopah Field Office, Lead Preparer
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Dustin Hollowell, Wildlife Biologist, Tonopah Field Office
Susan Rigby, Archaeologist, Tonopah Field Office
Wendy Seley, Realty Specialist, Tonopah Field Office
Bruce Andersen, Outdoor Recreation Planner, Tonopah Field Office

Appendix A

Mitigation Measures

Mitigation Measures

The operator will construct and maintain flood protection to the 100-year flood level for the pad, reserve pit, open top, tanks and associated structures.

The operator will notify the Bureau of Land Management (BLM) authorized officer and nearest Fish and Wildlife Service (FWS) Law Enforcement office within 24 hours, if the operator discovers a dead or injured federally protected species (i.e., migratory bird species, bald or golden eagle, or species listed by the FWS as threatened or endangered) in or adjacent to a pit, trench, tank, exhaust stack, or fence. (If the operator is unable to contact the FWS Law Enforcement office, the operator must contact the nearest FWS Ecological Services office.)

The operator will minimize or preclude releases of oil into open pits. Unless the authorized officer approves the release, no oil should go into a pit except in an emergency. The operator must remove any accumulation of oil or condensate in a pit within 48 hours of discovery.

The operator will design, construct, and maintain enclosure fencing for all open cellars and pits containing freestanding fluids to prevent access to livestock and large forms of wildlife such as deer, elk, and pronghorn. At a minimum, the operator will adequately fence all fluids pits and open cellars during and after drilling operations until the pit is free of fluids and the operator initiates backfilling. The operator will maintain the fence in order to protect public health and safety, wildlife, and livestock.

Adequate fencing includes all of the following:

- a. Construction materials will consist of steel and/or wood posts. Use a fence with five separate wires (smooth or barbed) or hog panel (16-foot length by 50-inch height) with connectors such as fence staples, quick-connect clips, hog rings, hose clamps, twisted wire, etc. Do not use electric fences.
- b. Set posts firmly in the ground. Stretch the wire, if used, tightly and space it evenly, from the ground level to the top wire, effectively keeping out animals. Tie hog panels securely into posts and to one another using fence staples, clamps, etc. Construct the fence at least 2 feet from the edge of the pit.
- c. For reserve pits, fence all four sides as soon as the pit is constructed. Reconstruct any damage to the rig side of the fence immediately following release of the drilling rig.
- d. Maintain the erect fences in adequate condition until the pit has been closed.

The operator will prevent wildlife and livestock access (including avian wildlife) to fluids pits that contain or have the potential of containing salinity sufficient to cause harm to wildlife or livestock, hydrocarbons, surfactants, or Resource Conservation and Recovery Act-exempt hazardous substances. At a minimum, the operator will install approved netting in these circumstances, in accordance with the requirements below, immediately following

release of the drilling rig <http://www.fws.gov/mountain-prairie/contaminants/contaminants1c.html>.

Note: The BLM does not approve of the use of flagging, strobe lights, metal reflectors, or noisemakers as techniques for deterring wildlife.

Minimum Netting Requirements: The operator will:

- a. Construct a rigid structure made of steel tubing or wooden posts with cable strung across the pit at no more than 7-foot intervals along the X- and Y-axes to form a grid of 7-foot squares.
- b. Suspend netting a minimum of 4 to 5 feet above the pit surface.
- c. Use a maximum netting mesh size of 1½ inches to allow for snow loading while excluding most birds in accordance with Fish and Wildlife Service recommendations.
- d. Cover the top and sides of the netting support frame with netting and secure the netting at the ground surface around the entire pit to prevent wildlife entry at the netting edges. **Note:** Hog wire panels or other wire mesh panels or fencing used on the sides of the netting support frame is ineffective in excluding small wildlife and songbirds unless covered by smaller meshed netting.
- e. Monitor and maintain the netting sufficiently to ensure the netting is functioning as intended, has not entrapped wildlife, and is free of holes and gaps greater than 1½ inches.

The operator will construct and maintain pits, cellars, open-top tanks, and trenches, that are not otherwise fenced, screened, or netted, to exclude livestock, wildlife, and humans (for example, lined, clean water pits; well cellars; or utility trenches) to prevent livestock, wildlife, and humans from becoming entrapped. At a minimum, the operator will construct and maintain escape ramps, ladders, or other methods of avian and terrestrial wildlife escape in pits, cellars, open-top tanks, or at frequent intervals along trenches where entrapment hazards may exist.

Immediately following active drilling or completion operations, the operator will take actions necessary to prevent wildlife and livestock access, including avian wildlife, to all open-topped tanks that contain or have the potential to contain salinity sufficient to cause harm to wildlife or livestock, hydrocarbons, or Resource Conservation and Recovery Act of 1976-exempt hazardous substances. At a minimum, the operator will net, screen, or cover open-topped tanks to exclude wildlife and livestock and prevent mortality. If the operator uses netting, the operator will cover and secure the open portion of the tank to prevent wildlife entry. The operator will net, screen, or cover the tanks until the operator removes the tanks from the location or the tanks no longer contain substances that could be harmful to wildlife or livestock.

Any authorized construction and reclamation is to be consistent with the Gold Book (2007 ed.) and BLM Manual 9113 (Engineering Road Standards).

Any cultural or paleontological resource (historic or prehistoric site or object) or Native American human remains, funerary item, sacred object, or objects of cultural patrimony discovered by the permit holder, or any person working on their behalf, during the course of the road and pad construction, shall be immediately reported to the Authorized Officer by telephone, with written confirmation. The permit holder shall suspend all operations in the immediate area of such discovery and protect it until an evaluation of the discovery is made by the Authorized Officer.

For cultural resources other than Native American human remains, funerary item, sacred object, or objects of cultural patrimony, this evaluation will determine the significance of the discovery and what mitigation measures are necessary to allow activities to proceed. The holder is responsible for the cost of evaluation and mitigation. Any decision on treatment and/or mitigation will be made by the Authorized Officer after consulting with the permit holder. Operations may resume only upon written authorization to proceed from the Authorized Officer.

If the well is dry, the proponent will paint the dry hole marker with Covert Green Paint or install the marker below grade to mitigate the effects to visual resources.

Upon the proper plugging and abandonment of the well, the proponent would remove as much gravel as practicable from the proposed well pad and scarify the area and remove gravel to grade and scarify the access road.

If the gravel to construct the proposed road and drill pad is removed from a nearby abandoned well site and access road, the previously disturbed site would be scarified prior to vacating the site.

Utilize consistent lighting mitigation measures that follow “Dark Sky” lighting practices.

Effective lighting should have screens that do not allow the bulb to shine up or out. All proposed lighting shall be located to avoid light pollution onto any adjacent lands as viewed from a distance. All lighting fixtures shall be hooded and shielded, face downward, located within soffits and directed on to the pertinent site only, and away from adjacent parcels or areas.

Any required FAA lighting should be consolidated and minimized wherever possible.

Utilize consistent mitigation measures that address logical placement of improvements and use of appropriate screening and structure colors. Existing utility corridors, roads and areas of disturbed land should be utilized wherever possible. Proliferation of new roads should be avoided. For example, the use of compatible paint colors on structures reduces the visual impacts of the built environment. Using screening, careful site placement, and cognitive use of earth-tone colors/materials that match the environment improve the user experience for others who might have different values than what is fostered by built environment activities.

Appendix B

Standard Operating Procedures and Conditions of Approval

Standard Operating Procedures (SOP's) associated with the Proposed Action

The operator shall obtain and maintain all necessary State of Nevada permits as well as local permits applicable to drilling the well.

The operator shall stockpile a volume equivalent to at least 8 inches of topsoil from the access road, pad and reserve pit for use in reclamation.

The operator shall be responsible for the control and eradication of weeds within the Project Area in accordance with the Battle Mountain Integrated Weed Management Plan (NV062-EA08-075).

Maximum width of any road, including drainage ditches and berms, is 30 feet. Culverts and turnouts may be installed if deemed necessary by the Field Manager, Tonopah Field Office.

A 15-mph speed limit shall be required for all project vehicles on the project site and unposted access roads. Water shall be the exclusive means to control dust, no dust pallatives shall be used.

The mud pit shall be fenced on three sides during drilling. Upon completion of the well, when the site is not occupied, the fourth side of the pit shall be fenced. The pit shall remain fenced until reclaimed (see Appendix A).

Trash shall be contained on-site and hauled to an approved landfill. Burial of trash on-site is not permitted.

Portable toilets shall be used for human waste. The latter may not be chemically treated or buried on site.

Any additives to the drilling mud that are considered hazardous substances will be stored in appropriate containment to prevent site contamination.

Upon abandonment, the operator shall:

Remove all trash and debris from the site and dispose of it properly.

Recontour the mud pit to as near original grade as possible, and spread stockpiled topsoil over the covered pit.

If installed, all culverts shall be removed.

The operator shall rehabilitate the drill pad and new access road by stripping as much gravel as possible from the pad and travel surface of the road and re-contour. The operator shall also reduce the berm and cover any remaining gravel with the soil from the access road, pad, and mud pit excavation.

Existing roads that are improved shall be reclaimed to their original condition. Berms shall be reduced and all widths in excess of the original width shall be scarified and revegetated.

Interim reclamation of the drill pad and mud pit, reducing the surface disturbance to the minimum area required to place a workover rig on the site, will be required within 1 year if the well is a producer.

All reclamation of the disturbed areas shall be completed within one (1) year from the date of the proper plugging and abandonment of the well.

The Authorized Officer of the Bureau of Land Management shall be notified in writing when reclamation operations commence and when reclamation is completed and shall accept the reclamation in writing.

Conditions of Approval (COA's)

A Tonopah Field Office representative shall be contacted for a verbal approval prior to commencing remedial work, plugging operations on newly drilled boreholes, changes within the drilling plan, changes or variances to the BOPE, deviating from conditions of approval, and conducting other operations not specified within the APD. Please contact Tim Coward at 775-482-7801 for verbal approvals. The secondary contact is Mark Ennes who may be reached at 775-482-7835.

If a well control issue arises (e.g. kick, blowout, or water flow), the Authorized Officer (AO) shall be notified within 24 hours from the time of the event.

The BOPE shall be installed, tested and operated in conformance with (to) Order #2 for a 2M system.

Onshore Order No. 2, Drilling Operations, requires that all formations containing usable quality water (less than 10,000 ppm) be protected via cement. If encountered while drilling below the surface casing shoe yet above the anticipated cement top for the usable quality water would require protection by bringing the cement at least $\pm 200'$ above the usable quality water zone. Results (cementing reports, CBL, depth of flow, rate of flow, water quality, if available, etc.) will be reported to the BLM. Any necessary remedial operations will be conducted prior to drilling out that casing shoe.

Prior approval will be required if the operator drills beyond the depth indicated in the APD.

If the well is productive and it is determined that the reservoir extends beyond the lease boundary a Communization Agreement will be set up.

A CBL shall be run (from TD to 200' above the TOC) and an electronic copy submitted to the AO. If the TOC is lower than required or the cement sheath is of poor quality, then, within 48 hours from running the CBL, a BLM petroleum engineer shall be notified for further instruction.

After running and cementing the production casing and in order to determine cement top and quality a cement bond log, cement evaluation tool, or equivalent shall be run. Results will be reported to BLM, Attn: Tonopah Field Office. Any necessary remedial operations will be conducted prior to drilling out of the casing shoe.

Submit the (a) mud/drilling log (e.g. Pason disc), (b) driller's event log/operations summary report, (c) production test volumes, (d) directional survey, and (e) Formation Integrity Test results with the well completion report. Please contact the AO for clarification.

In accordance with 43 CFR 3162.4(b), the operator shall submit a complete set of electrical/mechanical logs in .LAS format or hard copies with standard Form 3160-4, Form 3260-4 Well Completion or Recompletion Report and Log. Please contact John Menghini at 775-861-6573 if there are any questions.

Two copies of all logs, and a single copy of core descriptions, core analyses, drill stem tests, well-test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling and/or completion operations shall be submitted to the BLM, Tonopah Field Office.

Daily drilling and completion progress reports shall be submitted to the BLM, Nevada State Office and Tonopah Field Office on a daily basis, and shall include daily mud reports, details of casing that has been run and its cementing, water flows, lost circulation zones, hydrocarbon shows and other information that describes drilling conditions.

A formation integrity test shall be performed at the surface casing shoe. Prior to drilling more than 20 feet below the shoe, the test shall expose the shoe to the minimum mud weight equivalent necessary to control anticipated pressure at the next casing point or total depth.

Gamma Ray Log shall be run from total depth to surface.

All cement bond logs shall be run by the logging company at zero pressure. Logs determined to be run under pressure shall be re-run.

Nevada State Office personnel shall be contacted for approval prior to running non-API Standard casing downhole. Please contact John Menghini at 775-861-6573 with the specifications and manufacturer of the pipe, and a decision will be made whether the pipe can be used. Prior to running used or reconditioned API-grade casing downhole, a petroleum engineer in the Nevada State Office shall be contacted to obtain approval. Approval will be granted if the pipe has been tested and shown to have retained 87½ (or greater) of its original wall thickness.

Appendix C

Lease-specific Stipulations

Form 3100-11
(July 2006)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number

NVNM35957

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (page 2) offers to lease all or any of the lands in Item 2 that are available for lease pursuant to the Mineral Lands Leasing Act of 1920, as amended and supplemented (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands of 1947, as amended (30 U.S.C. 151-159), or _____ (other).

READ INSTRUCTIONS BEFORE COMPLETING

1. Name: DRY EXPLORATION INC
Street: 4414 S GEEKER LANE
City, State, Zip Code: BOISE, ID 83716

2. This application(s)/lease is for: (Check Only One) ☒ PUBLIC DOMAIN LANDS ☐ ACQUIRED LANDS (percent U.S. interest: _____)

Surface managing agency (if other than Bureau of Land Management (BLM): _____) Unit/Project: _____

Legal description of land requested: *Parcel No.: _____ *Sale Date (month/year): _____

*See Item 2 in Instructions below prior to completing Parcel Number and Sale Date.

T. _____ R. _____ Meridian _____ State _____ County _____

RECEIVED
FBI & C 2008
Bureau of Land Management
Boise Field Office

Amount remitted: Filing fee \$ _____ Rental fee \$ _____ Total acres applied for _____
Total \$ _____

DO NOT WRITE BELOW THIS LINE

Land included in lease:

T. 0070N R. 0570E Meridian MDM State NV County Nye
Sec. 029 SW;
030 SE;
031 1/4'S 1,4;
031 E2, E2SW;
032 NW;

Total acres in lease: 958.03
Rental retained \$ 1438.50

This lease is issued granting the exclusive right to drill for, mine, extract, remove and dispose of all the oil and gas (except helium) in the lands described in Item 3 together with the right to build and maintain necessary improvements thereupon for the term indicated below, subject to renewal or extension in accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and federal orders in effect as of lease issuance, and to regulations and federal orders hereafter promulgated when not inconsistent with lease rights granted or specific provisions of this lease.

NOTE: This lease is issued to the high bidder pursuant to a fully executed bid or nomination form submitted under 43 CFR 31.20 and is subject to the provisions of that bid or nomination and those specified on this form.

Type and primary term:

THE UNITED STATES OF AMERICA

☐ Noncompetitive lease (ten years)

by ATANDA CLARK
(BLM)
Chief, Branch of Minerals Adjudication OCT 29 2008
(Title) (Date)

☐ Competitive lease (ten years)

☐ Other _____ EFFECTIVE DATE OF LEASE NOV - 1 2008

(Continued on page 2)

This offer will be rejected and will afford offeror no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments.

(Signature of Lessor or Attorney-in-fact)

LEASE TERMS

(a) Noncompetitive lease, $\pm 1/2\%$;
(b) Competitive lease, $\pm 1/2\%$;
or, if there is no competitive bid, see attachment, or
as specified in regulations at the time this lease is issued

An interest charge will be assessed on late royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGROMA) (30 U.S.C. 1701). Lessee must be liable for royalty payments on oil and gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator, or due to the failure to comply with any rule, regulation, order, or citation issued under FOGROMA or the leasing authority.

(Form 3100-11, page 2)

Sec. 3. Bonds-A bond must be filed and maintained for lease operations as required under regulations.

Sec. 4. Diligence, rate of development, utilization, and drainage-Lessee must exercise reasonable diligence in developing and producing, and must prevent unnecessary drainage to, loss of, or waste of leased lands. Lessee reserves right to specify rates of development and production in the public interest and to require lessee to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands. Lessee must drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainages in amount determined by lessor.

Sec. 5. Data, records, evidence, and inspection-Lessee must file with proper office of lessor, not later than 30 days after effective date thereof, any contract or evidence of other arrangement for sale or disposal of production. At such times and in such form as lessor may prescribe, lessee must furnish detailed statements showing amounts and quality of all products removed and sold, proceeds therefrom, and amount used for production purposes or unavoidably lost. Lessee may be required to provide plans and schematic diagrams showing development work and improvements, and reports with respect to perforations, completions, expenditures, and depreciation costs. In the form prescribed by lessor, lessee must keep a daily drilling record, a log, information on well surveys and tests, and a record of subsurface investigations and furnish copies to lessor when required. Lessee must keep open at all reasonable times for inspection by any authorized officer of lessor, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessee must maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that supports costs claimed as manufacturing, preparation, and/or transportation costs. All such records must be maintained in lessee's accounting offices for future audit by lessor. Lessee must maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

During existence of this lease, information obtained under this section will be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct of operations-Lessee must conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee must take reasonable measures deemed necessary by lessor to accomplish the intent of this section. To the extent consistent with lease rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of interior and final reclamation measures. Lessee reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-way. Such uses must be concluded so as to prevent unnecessary or unreasonable interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee must contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessee may be required to complete minor inventories or minor special studies under guidelines provided by lessor. If to the conduct of operations, threatened or endangered species, objects of historic or scientific interest or substantial unanticipated environmental impacts are observed, lessee must immediately contact lessor. Lessee must cease any operations that would result in the destruction of such species or objects.

Sec. 7. Mining operations-To the extent that impacts from mining operations would be substantially different or greater than those associated with normal drilling operations, lessor reserves the right to deny approval of such operations.

Sec. 8. Enhancement of helium-Lessor reserves the option of extracting or having extracted helium from gas production in a manner specified and by means provided by lessor at no expense or loss to lessee or owner of the gas. Lessee must include in any contract of sale of gas the provisions of this section.

Sec. 9. Damages to property-Lessee must pay lessor for damage to lessor's improvements, and must save and hold lessee harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 10. Protection of diverse interests and equal opportunity-Lessee must pay when due all taxes legally assessed and levied under laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices and take measures necessary to protect the health and safety of the public.

Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. If lessee operates a pipeline, or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated accessible to oil derived from these leased lands, lessee must comply with section 28 of the Mineral Leasing Act of 1920.

Lessee must comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessor's subcontractors must maintain segregated facilities.

Sec. 11. Transfer of lease interests and relinquishment of lease-As required by regulations, lessee must file with lessor any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which will be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises-At such time as all or portions of this lease are returned to lessor, lessee must place affected wells in condition for suspension or abandonment, reclaim the land as specified by lessor and, within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of productive wells.

Sec. 13. Proceedings in case of default: If lessee fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease will be subject to cancellation unless or until the leasehold contains a well capable of production of oil or gas in paying quantities, or the lease is committed to an approved cooperative or unit plan or communitization agreement which contains a well capable of production of unlifted substances in paying quantities. This provision will not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver will not prevent later cancellation for the same default occurring at any other time. Lessee will be subject to applicable provisions and penalties of POGRMA (30 U.S.C. 1701).

Sec. 14. Heirs and successors-in-interest-Each obligation of this lease will extend to and be binding upon, and every benefit hereof will inure to the heirs, executors, administrators, successors, beneficiaries, or assignees of the respective parties hereto.

(Continued on page 4)

(Form 3100-1, page 3)

A. General:

- 1. Page 1 of this form is to be completed only by parties filing for a noncompetitive lease. The BLM will complete page 1 of the form for all other types of leases.
- 2. Entries must be typed or printed plainly in ink. Offeror must sign item 4 in ink.
- 3. An original and two copies of this offer must be prepared and filed in the proper BLM State Office. See regulations at 43 CFR 182.12-1 for office locations.
- 4. If more space is needed, additional sheets must be attached to each copy of the form submitted.

B. Special:

Item 1-Enter offeror's name and mailing address.

Item 2 Identify the mineral status and, if required lands, percentage of Federal ownership of applied for minerals. Indicate the agency controlling the surface of the land and the name of the unit or Project which the land is a part. The same offer may not include both Public

Domain and Acquired lands. Offeror also may provide other information that will assist in establishing title for minerals. The description of land must conform to 43 CFR 31.10. A single parcel number and Sale Date will be the only acceptable description during the period from the first day following the end of a competitive process until the end of that same month, using the parcel number on the List of Lands Available for Competitive Nominations or the Notice of Competitive Lease Sale, whichever is appropriate.

Payments: The amount submitted must include the filing fee and the first year's rental at the rate of \$1.50 per acre or fraction thereof. The full rental based on the total acreage applied for must accompany an offer even if the mineral interest of the United States is less than 100 percent. The filing fee will be retained as a service charge even if the offer is completely rejected or withdrawn. To protect priority, it is important that the rental submitted be sufficient to cover all the land requested. If the land requested includes less or irregular quarter-quarter sections, the exact area of which is not known to the offeror, rental should be submitted on the basis of each such lot or quarter-quarter section containing 40 acres. If the offer is withdrawn or rejected in whole or in part before a lease issues, the rental submitted for the parts withdrawn or rejected will be returned.

Item 3-This space will be completed by the United States.

NOTICES

The Privacy Act of 1974 and the regulations in 43 CFR 2.48(d) provide that you be furnished with the following information in connection with information required by this oil and gas lease offer.

AUTHORITY: 30 U.S.C. 181 et seq.; 30 U.S.C. 351-359

NCPL PURPOSE: The information is to be used to process oil and gas offers and leases.

ROUTINE USES: (1) The adjudication of the lessee's rights to the land or resources. (2) Documentation for public information in support of notations made on land status records for the management, disposal, and use of public lands and resources. (3) Transfer to appropriate Federal agencies when consent or concurrence is required prior to granting a right in public lands or resources. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions.

EFFECT OF NOT PROVIDING INFORMATION: If all the information is not provided, the offer may be rejected. See regulations at 43 CFR 3140.

The Paperwork Reduction Act of 1995 requires us to inform you that:

This information is being collected pursuant to the law.

This information will be used to create and maintain a record of oil and gas lease activity.

Response to this request is required to obtain a benefit.

BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT: Public reporting burden for this form is estimated to average 1 hour per response including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management (1004-0145), Bureau Information Collection Clearance Office (WFO-630), 1849 C Street, N.W., Mail Stop, 401LS, Washington, D.C. 20240

NOTICE TO LESSEE

Provisions of the Mineral Leasing Act (MLA) of 1920, as amended by the Federal Coal Leasing Amendments Act of 1976, affect an entity's qualifications to obtain an oil and gas lease. Section 2(a)(2)(A) of the MLA, 30 U.S.C. 201(a)(2)(A), requires that any entity that holds and has held a Federal coal lease for 10 years beginning on or after August 4, 1976, and who is not producing coal in commercial quantities from each such lease, cannot qualify for the issuance of any other lease granted under the MLA. Compliance by coal lessees with Section 2(a)(2)(A) is explained in 43 CFR 3472.

In accordance with the terms of this oil and gas lease with respect to compliance by the initial lessee with qualifications concerning Federal coal lease holdings, all assignees and transferees are hereby notified that this oil and gas lease is subject to cancellation if: (1) the initial lessee as assignor or as transferor has falsely certified compliance with Section 2(a)(2)(A) or (2) because of a denial or disapproval by a State Office of a pending coal action, i.e., arms-length assignment, relinquishment, or logical mining unit, the initial lessee as assignor or as transferor is no longer in compliance with Section 2(a)(2)(A). The assignee or transferee does not qualify as a bona fide purchaser and, thus, has no rights to bona fide purchaser protection in the event of cancellation of this lease due to noncompliance with Section 2(a)(2)(A).

Information regarding assignor or transferor compliance with Section 2(a)(2)(A) is contained in the lease case file as well as in other Bureau of Land Management records available through the State Office issuing this lease.

ARCHAEOLOGICAL STIPULATION

Lands fall within the Tonopah RMP and the Archaeological Predictive Model, Management Plan and Treatment Plans for Northern Railroad Valley, Nevada. Operations must follow all applicable management prescriptions and laws. NEPA analysis, potential cultural resource mitigation and Native American consultation may delay timeliness of permit approvals.

Description of Lands

| | |
|---------------------|---|
| PARCEL NV-08-09-104 | T. 06 N., R. 54 E., MDM, Nevada sec. 01, PROT ALL; sec. 02, PROT ALL. |
| PARCEL NV-08-09-105 | T. 06 N., R. 54 E., MDM, Nevada sec. 11, PROT ALL. |
| PARCEL NV-08-09-137 | T. 06 N., R. 56 E., MDM, Nevada sec. 02, NESE. |
| PARCEL NV-08-09-139 | T. 09 N., R. 56 E., MDM, Nevada sec. 10, SENE, W2E2, W2; sec. 15, E2E2, NWNE. |
| PARCEL NV-08-09-153 | T. 06 N., R. 57 E., MDM, Nevada sec. 06, PROT N2SW. |
| PARCEL NV-08-09-155 | T. 07 N., R. 57 E., MDM, Nevada sec. 29, SW; sec. 31, E2, E2SW; sec. 32, NW. |

ARCH ZONE 2

Appendix D

List of BLM Special Status Species

| Table 2. BLM Sensitive Species List | |
|---|-----------------------------|
| Mammals | Common Name |
| <i>Eptesicus fuscus</i> | Big brown bat |
| <i>Corynorhinus townsendii</i> | Townsend's big-eared bat |
| <i>Myotis californicus</i> | California myotis |
| <i>Myotis ciliolabrum</i> | Western small-footed myotis |
| <i>Myotis evotis</i> | Long-eared myotis |
| <i>Myotis lucifungus</i> | Little brown myotis |
| <i>Lasionycteris noctivagans</i> | Silver-haired bat |
| <i>Lasiurus blossevillii</i> | Western red bat |
| <i>Lasiurus cinereus</i> | Hoary bat |
| <i>Parastrellus hesperus</i> | Canyon bat |
| <i>Euderma maculatum</i> | Spotted bat |
| Birds | Common Name |
| <i>Aquila chrysaetos</i> | Golden eagle |
| <i>Haliaeetus leucophalus</i> | Bald eagle |
| <i>Athene cunicularia</i> | Western burrowing owl |
| <i>Buteo regalis</i> | Ferruginous hawk |
| <i>Lanius ludovicianus</i> | Loggerhead shrike |
| <i>Buteoswainsoni</i> | Swainson's hawk |
| <i>Microdipodops</i> | Dark Kangaroo |
| <i>Spizella breweri</i> | Brewer's Sparrow |
| <i>Microdipodops pallidus</i> | Pale kangaroo mouse |
| <i>Charadrius alexandrianus nivosus</i> | Western snowy plover |
| Amphibians | |
| <i>Rana pipiens</i> | Northern leopard frog |
| Fishes | Common Name |
| <i>Crenichthys nevadae</i> | Railroad Valley springfish |
| <i>Gila bicolor ssp.7</i> | Railroad Valley tui chub |
| Insects | Common Name |
| <i>Hesperia uncas fulvapalla</i> | Railroad Valley skipper |
| Plants | Common Name |
| <i>Asclepias eatwoodiana</i> | Eastwood milkweed |
| <i>Astragalus pseudiodanthus</i> | Tonopah milkvetch |
| <i>Astragalus toquimanus</i> | Toquima milkvetch |
| <i>Grusonia pulchella</i> | Sand cholla |
| <i>Penstemon arenarius</i> | Nevada dune beardtongue |
| <i>Sclerocactus nyensis</i> | Tonopah pincushion |